SEKHUKHUNE DISTRICT MUNICIPALITY

FINAL FUNDING AND RESERVE POLICY

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SEKHUKHUNE DISTRICT MUNICIPALITY 2020/2021
FUNDING AND RESERVE POLICY

The funding and reserves policy is aimed at ensuring that the municipality has sufficient and cost-effective funding in order to achieve its objectives through the implementation of its operating and capital budgets.

This policy aims to set guidelines towards ensuring financial viability over both the short- and long-term which includes reserves requirements.

2. Scope of Policy

This policy shall apply to the Council and all officials who have formal, administrative duty to prepare, manage and control the expenditure and municipal budget

3. Applicable legislative

- Local Government Municipal Finance Management Act, Act 56 of 2003; and
- Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.

This policy is mandated by Section 8 of the Local Government: Municipal Budget and Reporting Regulations which is made in terms of section 168 of the Municipal Finance Management Act, 2003, (Act No. 56 of 2003).

4. Objectives

The objective of this policy is:

- To ensure that operating and capital budgets of SDM municipality are appropriately funded.
- To ensure that provisions and reserves are maintained at the required levels to avoid future year unfunded liabilities.

5. Funding of Annual Budget

5.1 An annual budget may only be funded from:

a) Cash backed accumulated funds from previous years surpluses and reserves not committed for any other purpose;
b) Borrowed funds but only for capital expenditure; and/or
c) Grant Funding.
d) Realistic anticipated revenue projections that take into consideration the following:
   - Projected revenue for the current year based on collection levels to date.
   - Actual revenue collected in previous financial years.

6. Capital Replacement Reserve (CRR)

6.1 Council shall establish a CRR for the purpose of financing capital projects that needs to be refurbished.

6.2 Such reserve shall be established from the following sources of revenue:

- Interest on the investments of the CRR, appropriated in terms of the investments policy.
- VAT refunds
- Prior year cash surpluses cash backed

7. Operating Budget

7.1 The municipality shall budget in each annual and adjustments budget for the contribution to:

- Provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year,
- Provision for bad debts in accordance with its rates and tariffs policies
- Provision for the obsolescence and deterioration of stock in accordance with its stores management policy
- At least 10% of equitable shares to be reserved for CRR.
- At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.

7.2 The operating budget shall reflect the impact of the capital component on:

- Depreciation charges
- Repairs and maintenance expenses
- Interest payable on external borrowings
- Other operating expenses.

8. Capital Budget

- The municipality shall budget its projects on multi-year projections; where multi-year projects exist.
- Only 10% of variation on outer years will be allowed.

CERTIFICATE OF ENDORSEMENT:

This Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing, approved by council and been signed by the Speaker. Policy shall be reviewed annually,unless in the event where any changes in any applicable Act and Legislation has jurisdiction to supersede.

Mthenauda

For and on behalf of Municipality

As witness for Municipality

28.05.2020

Date

Date